

Service Date: August 4, 1977

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the application of)	
WESTERN WATER COMPANY for an order)	
authorizing Applicant a water rate)	
increase to cover increased operating)	Docket No. 6492
expenses and to generate sufficient)	
revenues to accomplish improvements,)	Order No. 4353
maintenance, repairs and expansion)	
<u>of Applicant's system.</u>)	

On March 16, 1977, the Montana Public Service Commission officially accepted as filed the application of the WESTERN WATER COMPANY (Applicant) for an order authorizing a water rate increase. A hearing on the application was held on May 16, 1977, at 1:00 PM (MDT) in the City Council Chambers, Missoula, Montana.

APPEARANCES

For the Applicant:

William Evan Jones, Attorney at Law, Garlington, Lohn & Robinson, 199 West Pine, P.
O. Box 7909 Missoula, Montana 59801

For the Consumer Counsel:

John Doubek, Attorney at Law, Montana Consumer Counsel, 34 West Sixth Avenue,
Helena, Montana 59601

For the Commission:

Dennis R. Lopach, Legal Counsel

Before:

Thomas J. Schneider, Commissioner
George Turman, Commissioner

The Hearing Examiner, Commissioner Turman, having taken evidence and being fully advised in the premises, proposes the following findings, conclusions and order:

FINDINGS OF FACT

1. That Western Water Company (Applicant) is a public utility furnishing water service in the State of Montana subject to the jurisdiction and authority of this Commission. Western Water Company is a trade name for a water utility service owned and operated by William F. Curran and Mary E. Curran, his wife, Las Vegas, Nevada.

2. That a hearing to receive Western Water Company's direct evidence, and to allow cross-examination and presentation of evidence by all other parties was held on May 16, 1977, in Missoula, Montana.

3. That at such hearing Western Water Company was represented by its counsel, William Evan Jones, and John Doubek of the Consumer Counsel also appeared. The Commission was represented by its counsel, Dennis Lopach. Applicant presented two witnesses: William Curran, Applicant's President, and Rodger Perschke, C. P. A.

4. That Applicant has sustained a net operating loss for the past five years.

5. That the net operating revenue, under present rate schedules produced rate of return which is neither adequate, fair nor reasonable.

6. That the existing schedule of rates and charges will not provide Applicant a fair return on the value of its water properties devoted to its water customers.

7. That the present rates and charges must be increased to provide Applicant with an opportunity to earn a reasonable return on the value of its water properties.

8. That the rates proposed by Applicant will produce total operating revenues of \$16,000 and a rate of return from the water operation which will not exceed a fair and reasonable return on the value of its utility properties.

9. Over the last five years Applicant has lost a total of approximately \$130,000 on its water operation. Applicant projects a loss of \$27,000 for 1977 if the increase is granted in full. This 1977 projection does not, however, take into account any revenue and expense adjustments associated with expected growth in the number of customers. At year-end 1976 Applicant had 180 customers. Mr. Curran testified that as many as 100 additional customers might be receiving Applicant's service by the end of 1977.

10. Applicant presently has pumping capacity sufficient to serve 2,300 customers and distribution and transmission lines sufficient to serve 5,400 customers. Applicant's President, Mr. Curran, testified that currently only eight percent (8%) of the Western Water Company's existing capacity is being used.

11. Based upon Findings Nine (9) and Ten (10) Applicant's plant is over-built for water service for its present customers and those new customers anticipated in the immediate future.

12. A proposed order was issued on June 15, 1977. No exceptions, objections, or comments were received concerning this proposed order.

CONCLUSIONS OF LAW

1. Revised Codes of Montana 1947, Section 70-105, permits the Commission to determine the value of a utility's rate base, or those properties that are used and useful, as a part or the ratemaking process.

2. Applicant's President stated that Western Water's plant was, in effect, being only eight percent utilized.

3. If the Commission had before it in this record better information on the way in which Applicant's expenses vary with capacity utilization, a pro ration of expenses to correspond to the plant capacity actually being used might be justified. The Commission declines to attempt such a pro ration on this record, however, because the basis of these adjustments would be conjectural.

4. The Commission endorses the following language as a sound statement of ratemaking policy:

The few consumers who have purchased lots in this subdivision and built homes thereon cannot be expected or required to pay an unreasonable price for water service to maintain and operate an excessively overbuilt plant Re Independence Acres Water Co., PUR 1933 C. 170, at 172 (California Railroad Commission, 1932)

5. That the Commission has provided proper notice and opportunity for participation in this proceeding by all interested parties, including the Consumer Counsel, members of the public, and their representatives, in accordance with Montana law.

6. That the rates and charges and the rate structures authorized herein are just and reasonable.

ORDER

NOW, THEREFORE, THE PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Western Water Company file schedules for its water service in the form proposed, which schedules will permit it to earn total operating revenues of \$16,000.

2. The filed tariffs shall be effective for water services delivered during the next full billing period after August 5, 1977.

DONE IN OPEN SESSION by a vote of 4-0 at a meeting of the Public Service
Commission held August 2, 1977.

Gordon E. Bollinger, Chairman

Thomas J. Schneider, Commissioner

James R. Shea, Commissioner

George Turman, Commissioner

ATTEST:

Gail E. Behan
Secretary

(SEAL)

NOTICE: You are entitled to a judicial review of this Order. Judicial review may be
obtained by filing within thirty (30) days from the service of this Order a petition
for review pursuant to Section 82-4216, RCM 1947.